



(Knowledge for Development)

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DIB 100**

**COURSE TITLE: INTRODUCTION TO FINANCIAL  
ACCOUNTING**

**DATE 29<sup>TH</sup> SEPTEMBER, 2022**

**TIME: 2.00PM - 4.00PM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

**TIME: 2 Hours**

**KIBU observes ZERO tolerance to examination cheating**

*This Paper Consists of 6 Printed Pages. Please Turn Over.*

## SECTION A: ONE COMPULSORY QUESTION

- Q1. a) Elaborate the Five attributes of Accounting. **8 marks**
- b) What is the difference between Bookkeeping and Accounting? **6 marks**
- c) Describe the Four important types of accounting conventions **4 marks**
- d) What are Characteristics of Book of Original Entry **5 marks**
- e) Define accounting and explain if accounting a science or art? **3 marks**
- f) Difference between Sales Day Book and Sales account? **4 marks**

## Section B: Choose Any Two QUESTIONS

### QUESTION TWO

- a) Define Imprest system and Identify the use of Imprest account of petty cash. **5 marks**
- b) The petty cashier of Mike and Mary Company paid cash for the following expenditures during April 2019.
- April 01: Balance brought forward; petty cash \$50.
  - April 01: The amount of petty expenditures for previous month reimbursed by chief cashier \$200.
  - April 05: Bought some liquid material for cleaning purpose \$ 20.
  - April 10: Paid \$20 for van wash.
  - April 13: Bought pens and pencils \$15.
  - April 17: Paid for fuel \$35.
  - April 20: Paid \$55 for casual labor.
  - April 22: Donated \$10 to SBA – a charitable institution.
  - April 30: Bought a broom for office \$5

**Required:** Record the above transactions in a petty cash book assuming a petty cash imprest system is used by the John and James company. **15 marks**

**Q3.** Journalize the following transactions in the books of Pinnacles Pvt ltd:

1 January 2020 business started with cash 200000 \$

1 January goods purchased from Bansal &co worth 50000\$

5 January cash purchases worth 10000\$

10 January cash sales worth 60000\$

15 January sales to Muktesh&co worth 25000\$ on credit

20 January paid rent 500\$

21 January cash sales 5000\$

21 January paid to bansal&co 30000\$

23 January received cash from mukesh&co 25000\$

24 January paid electricity bill 500\$

24 January paid telephone bill 50\$

**20 marks**

Q4. a) write the meaning of bank reconciliation and briefly give reasons why bank reconciliations matter.

**5 marks**

b) ABC Company is closing its books and must prepare a bank reconciliation for the following items:

- Bank statement contains an ending balance of \$300,000 on February 28, 2018, whereas the company's ledger shows an ending balance of \$260,900
- Bank statement contains a \$100 service charge for operating the account

- Bank statement contains interest income of \$20
- ABC issued checks of \$50,000 that have not yet been cleared by the bank
- ABC deposited \$20,000 but this did not appear on the bank statement
- A check for the amount of \$470 issued to the office supplier was misreported in the cash payments journal as \$370.
- A note receivable of \$9,800 was collected by the bank.
- A check of \$520 deposited by the company has been charged back as NSF.

**Required:** Record the journal entries for the company's book adjustment and produce a bank reconciliation to reflect all the changes to cash balances for each month. **20 marks**

**Q5.** John is the owner and operator of John Enterprise, a motivational consulting business. At the end of its accounting period, December 31, 2019, John Enterprise has assets of \$760,000 and liabilities of \$ 240,000.

Use the accounting equation to calculate the answer in each of the following:

- John, capital, as of December 31, 2019
- John, capital, as of December 31, 2020, assuming that assets increased by \$ 120,000 and liabilities increased by \$ 72,000 during 2020.
- John, capital, as of December 31, 2020, assuming that assets decreased by \$ 60,000 and liabilities increased by \$ 21,600 during 2020.
- John, capital, as of December 31, 2020, assuming that assets increased by \$ 100,000 and liabilities decreased by \$ 38,400 during 2020.
- Net income during 2020, assuming that as of December 31, 2020, assets were \$ 90,000, liabilities were \$ 156, 000 and there were no additional investments or no withdrawals.

**20 marks**